

Message Text

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DEPARTMENT PASS TREASURY
USDOC FOR DR. SLATER AND BEWT

E.O.11652:N/A
TAGS:EEWT, EGEN, UR, US
SUBJECT: BENDIX - THE SOVIETS GOT COLD FEET

1. DURING DISCUSSION WITH USDOC CHIEF ECONOMIST COURTNEY SLATER AND E/C COUNSELOR MAY 30, USA/CANADA INSTITUTE DIRECTOR ARBATOV MENTIONED CONTINUING SOVIET INTEREST IN JOINT PRODUCTION PROJECTS WITH THE U.S. WE INQUIRED ABOUT STATUS OF BENDIX SPARK PLUG NEGOTIATIONS, A PROJECT WHICH HAD ENJOYED ENTHUSIASTIC SUPPORT OF ARBATOV AND WHICH INVOLVED A QUASI-MANAGEMENT ROLE FOR U.S. FIRM IN ENSURING QUALITY CONTROL OF PRODUCT TO BE PRODUCED IN USSR BUT MARKETED UNDER BENDIX TRADEMARK.

2. ARBATOV SAID THAT PROJECT WAS SUSPENDED FOR THE TIME BEING BUT MIGHT BE TAKEN UP AGAIN AT THE END OF 1978. ACCORDING TOHIM, THE NEGOTIATIONS HAD FOUNDERED ON THE DIFFICULTY OF PUSHING A NEW IDEA (I.E., IN THE SOVIET BUREAUCRACY), THE COOLING OF U.S.-SOVIET POLITICAL RELATIONS AND THE ATTENDANT HESITATION OF SOVIET LEADERS TO MAKE SUCH A PATHBREAKING AGREEMENT WITH THE U.S.
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ARBATOV ALSO LISTED THE ALLEGED PROTECTIONIST SPIRIT IN U.S. AS A PARTIAL CAUSE FOR THE PROJECT'S FAILURE TO ADVANCE.

3. ON MAY 31 SUBJECT WAS RAISED DURING LUNCHEON CONVERSATION WITH USA/CANADA INSTITUTE DEPUTY DIRECTOR SHERSHNEV, WHO HAD BEEN PRESENT AT DISCUSSION WITH

ARBATOV. SHERSHNEV SAID FRANKLY THAT THE BLAME FOR FAILURE OF THE PROJECT WAS TO BE ATTRIBUTED TO THE SOVIET SIDE, WHICH HAD FOUND THE PROPOSAL TOO RADICAL TO UNDERTAKE.

4. COMMENT: THE SOVIETS CONTINUE TO PUSH THE THEME OF JOINT PRODUCTION PROJECTS WITH WESTERN COMPANIES. IF SUCH PROJECTS ARE TO HAVE ANY FUTURE AT ALL, IT IS OBVIOUS THAT SOVIET DECISION MAKERS WILL AT SOME TIME HAVE TO TAKE THE PLUNGE AND AGREE TO SOME OF THE DE FACTO SHARE IN MANAGEMENT DECISIONS WHICH THE BENDIX PROJECT IMPLIED. FOR THEIR PART, THE SOVIETS OF COURSE WANT THE "JOINT" PROJECTS WITHOUT THE BURDENSOME FOREIGN INVOLVEMENT IN DECISION MAKING AND MAY BE EXPECTED TO TRY THEIR BEST TO WIN THE PRIZE WITHOUT THE PAIN. MATLOCK

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Message Attributes

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